

DEARBORN HEIGHTS HOUSING COMMISSION
PLYMOUTH, MICHIGAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
AND
REPORTS ON COMPLIANCE AND
ON INTERNAL CONTROL

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Dearborn Heights Housing Commission	County
Audit Date 12/31/05	Opinion Date 4/12/06	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

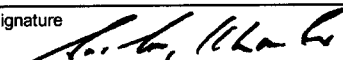
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).	✓		
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) Sailor, Khan & Co.			
Street Address P.O. Box 16180	City St. Louis	State MO	ZIP 63105
Accountant Signature 		Date 4/12/06	

DEARBORN HEIGHTS HOUSING COMMISSION
Plymouth, Michigan

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Sailor Khan & Co.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Dearborn Heights Housing Commission
Plymouth, Michigan

We have audited the accompanying basic financial statements of the Dearborn Heights Housing Commission, Michigan, (Commission) as of and for the year ended December 31, 2005, as listed in the table of contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

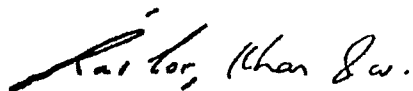
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Dearborn Heights Housing Commission, Michigan, as of December 31, 2005, and the changes in its financial position and its cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2006, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages ii to v is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the remaining accompanying supplemental information including the Financial Data Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Sailor, Khan & Co.
April 12, 2006

Dearborn Heights Housing Commission

Management's Discussion and Analysis (MD&A) December 31, 2005 (Unaudited)

This section of the Dearborn Heights Housing Commission (Commission) annual financial report presents our management's discussion and analysis of the Commission's financial performance during the fiscal year ended on December 31, 2005. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

For accounting purposes, the Housing Commission is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

FINANCIAL HIGHLIGHTS

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of December 31, 2005 were \$124,961. The net assets increased by \$25,204, an increase of 25.3% over the prior year.

Revenues for the Commission were \$2,619,233 for the year ended December 31, 2005. This was a decrease of \$67,868 or 2.5% from the prior year.

Expenses for the Commission were \$2,597,622 for the year ended December 31, 2005. This was a decrease of \$81,943 or 3.1% from the prior year.

HUD operating grants was \$2,612,861 for the year ended December 31, 2005. This was a decrease of \$67,642 or 2.5% over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this *Management Discussion and Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented as fund level financial statements because the Commission only has proprietary funds.

Required Financial Statements

The financial statements of the Housing Commission report information of the Commission using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Assets includes all the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the capital structure of the Commission and assessing the liquidity and financial flexibility of the Commission.

Management's Discussion and Analysis (MD&A) - Continued

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established *Uniform Financial Reporting Standards* that require Housing Commission's to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended December 31, 2005 and is required to be included in the audit reporting package.

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the table on the following page, assets exceeded liabilities by \$124,961 at the close of the year ended December 31, 2005 up from \$99,757 in 2004. The increase in net assets of \$25,204 was primarily due to the change in net assets for the year.

The unrestricted net assets were \$124,961 as of December 31, 2005. This amount may be used to meet the Commission's ongoing obligations. The Commission had no net assets classified as restricted that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

Management's Discussion and Analysis (MD&A) - Continued

FINANCIAL ANALYSIS (CONTINUED)

**CONDENSED STATEMENTS OF NET ASSETS
DECEMBER 31**

	<u>2005</u>	<u>2004</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and other assets	\$ 315,212	\$ 274,118	\$ 41,094	15.0%
Restricted assets	<u>59,128</u>	<u>57,546</u>	<u>1,582</u>	2.7%
Total Assets	<u>374,340</u>	<u>331,664</u>	<u>42,676</u>	12.9%
Current liabilities	191,499	174,434	17,065	9.8%
Noncurrent liabilities	<u>57,880</u>	<u>57,473</u>	<u>407</u>	0.7%
Total Liabilities	<u>249,379</u>	<u>231,907</u>	<u>17,472</u>	7.5%
Net Assets				
Unrestricted	<u>124,961</u>	<u>99,757</u>	<u>25,204</u>	25.3%
Total Net Assets	<u>\$ 124,961</u>	<u>\$ 99,757</u>	<u>\$ 25,204</u>	25.3%

Total assets increased by \$42,676 in 2005 due to an increase in cash and cash equivalents and a slight increase in accounts receivable.

Total liabilities increased by 17,472 due to an increase in accounts payable in 2005.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

As can be seen in the table on the following page total revenues decreased by \$67,868 due to decreases in HUD operating grants and other income, which was slightly offset by an increase in interest income.

Management's Discussion and Analysis (MD&A) - Continued

FINANCIAL ANALYSIS (CONTINUED)

**CONDENSED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
DECEMBER 31**

	<u>2005</u>	<u>2004</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues				
Operating - non-operating:				
HUD operating grants	\$ 2,612,861	\$ 2,680,503	(67,642)	-2.5%
Interest income	1,295	131	1,164	888.6%
Other income	<u>5,077</u>	<u>6,467</u>	<u>(1,390)</u>	-21.5%
Total Revenues	<u>2,619,233</u>	<u>2,687,101</u>	<u>(67,868)</u>	-2.5%
Expenses				
Other supplies and expenses	190,148	197,803	(7,655)	-3.9%
Housing assistance payments	<u>2,407,474</u>	<u>2,481,762</u>	<u>(74,288)</u>	-3.0%
Total Expenses	<u>2,597,622</u>	<u>2,679,565</u>	<u>(81,943)</u>	-3.1%
Change in net assets	21,611	7,536	14,075	
Beginning net assets	99,757	92,221	7,536	
Prior period adjustments	<u>3,593</u>	----	<u>3,593</u>	
Beginning net assets, adjusted	<u>103,350</u>	<u>92,221</u>	<u>11,129</u>	
Ending net assets	\$ <u>124,961</u>	\$ <u>99,757</u>	\$ <u>25,204</u>	

Total expenses decreased by \$81,943 in 2005 primarily due to decreases in housing assistance payments and other supplies and expenses. The Commission ended its fiscal year with net assets of \$124,961.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Commission is primarily dependent upon HUD for the funding of operations; therefore, the Housing Commission is affected more by the Federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2006 Federal budget.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Ms. Sharon Lee Thomas, Executive Director; Dearborn Heights Housing Commission; 1160 Sheridan; Plymouth, Michigan 48170.

DEARBORN HEIGHTS HOUSING COMMISSION

Plymouth, Michigan

STATEMENT OF NET ASSETS

December 31, 2005

ASSETS

Current Assets:

Cash and cash equivalents	\$ 279,932.86
Investments	26,499.08
Receivable - net of allowances: Accounts	<u>8,780.00</u>
Total Current Assets	<u>315,211.94</u>

Noncurrent Assets:

Restricted assets:

Cash and cash equivalents	<u>59,128.17</u>
Total restricted assets	<u>59,128.17</u>
Total Noncurrent Assets	<u>59,128.17</u>

Total Assets \$ 374,340.11

LIABILITIES

Current Liabilities:

Accounts Payable	\$ <u>191,499.31</u>
Total Current Liabilities	<u>191,499.31</u>

Noncurrent Liabilities:

Deferred credits and escrow deposits	<u>57,880.24</u>
Total Noncurrent Liabilities	<u>57,880.24</u>
Total Liabilities	<u>249,379.55</u>

NET ASSETS

Unrestricted	<u>124,960.56</u>
Total Net Assets	<u>124,960.56</u>
Total Liabilities and Net Assets	\$ <u><u>374,340.11</u></u>

See notes to financial statements

DEARBORN HEIGHTS HOUSING COMMISSION

Plymouth, Michigan

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

For Year Ended December 31, 2005

Operating Revenues:	
Operating subsidies- HUD grants	\$ 2,612,861.00
Other revenues	<u>5,076.86</u>
Total operating revenues	<u>2,617,937.86</u>
Operating Expenses:	
Other supplies and expenses	190,148.52
Housing assistance payments	<u>2,407,473.62</u>
Total operating expenses	<u>2,597,622.14</u>
Operating income (loss)	<u>20,315.72</u>
Non-operating revenues (expenses):	
Interest and investment earnings	<u>1,294.58</u>
Net non-operating revenues (expenses)	<u>1,294.58</u>
Change in net assets	21,610.30
Net assets at beginning of year	99,757.26
Prior period error corrections	<u>3,593.00</u>
Net assets adjusted at beginning of year	<u>103,350.26</u>
Net assets at end of year	<u>\$ 124,960.56</u>

See notes to financial statements

DEARBORN HEIGHTS HOUSING COMMISSION

Plymouth, Michigan

STATEMENT OF CASH FLOWS

For Year Ended December 31, 2005

Cash flows from operating activities:

Cash received from HUD grants- operating	\$ 2,789,180.00
Cash received from other operating activities	5,076.86
Cash payments for goods and services	<u>(2,580,556.62)</u>

Net cash provided (used) by operating activities 213,700.24

Cash flows from capital and related financing activities:

Receipts (payments) from deferred credits and escrow deposits	<u>407.11</u>
---	---------------

Net cash (used) for capital and related financing activities 407.11

Cash flows from investing activities:

Proceeds from sale of (payments) for investments	(26,499.08)
Interest and dividends	<u>1,294.58</u>

Net cash provided (used) from investing activities (25,204.50)

Net increase (decrease) in cash and cash equivalents	188,902.85
Cash and cash equivalents at beginning of year	<u>150,158.18</u>

Cash and cash equivalents at end of year \$ 339,061.03

Cash and cash equivalents	\$ 279,932.86
Restricted cash and cash equivalents	<u>59,128.17</u>

Total cash and cash equivalents at end of year \$ 339,061.03

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Operating income (loss)	\$ 20,315.72
Changes in assets and liabilities:	
Receivables	176,319.00
Accounts and other payables	<u>17,065.52</u>

Net cash provided (used) by operating activities \$ 213,700.24

See notes to financial statements

DEARBORN HEIGHTS HOUSING COMMISSION

Plymouth, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2005

NOTE 1 - Summary of Significant Accounting Policies

The Dearborn Heights Housing Commission (Commission) is a non-profit entity established to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1a. Financial Reporting Entity

The Housing Commission's financial reporting entity comprises the following:

Primary Government:	Housing Commission
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In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB no 39, "The Financial Reporting Entity," and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

1b. Basis of Presentation

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Commission's programs as an enterprise fund.

DEARBORN HEIGHTS HOUSING COMMISSION

Plymouth, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1b. Basis of Presentation (Continued)

Following is a description of the Commission's programs:

Program	Brief Description
Housing Choice Vouchers	Accounts for activities of the Voucher program which assists very low-income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market.

1c. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the financial statements, the "economic resources" measurement focus is used as follows:

- ▶ The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1d. Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2b. and 3a.

DEARBORN HEIGHTS HOUSING COMMISSION

Plymouth, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1d. Assets, Liabilities, and Equity (Continued)

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Budgets and Budgetary Accounting

The Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

Estimates and Assumptions

The Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

Restricted Assets

Restricted assets include cash and investments legally restricted as to their use. The primary restricted assets are related to FSS which is a HUD program.

Compensated Absences

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Equity Classifications

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Commission had no related debt.
- b. Unrestricted net assets—All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

DEARBORN HEIGHTS HOUSING COMMISSION

Plymouth, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1e. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

NOTE 2 - Stewardship, Compliance, and Accountability

The Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Commission's compliance with significant laws and regulations and demonstration of its stewardship over Commission resources follows.

2a. Program Accounting Requirements

The Commission's complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Commission are as follows:

Program	Required By
Housing Choice Vouchers	U.S. Department of Housing and Urban Development

2b. Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of the Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Commission must have a written collateral agreement. As reflected in Note 3a., all deposits were fully insured or collateralized.

Investments of the Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

DEARBORN HEIGHTS HOUSING COMMISSION

Plymouth, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 3 - Detail Notes on Transaction Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3a. Cash and Investments

Deposits

The Commission's policies regarding deposits of cash are discussed in Note 1d. The table presented below is designed to disclose the level of custody credit risk assumed by the Commission based upon how its deposits were insured or secured with collateral at December 31, 2005. The categories of credit risk are defined as follows:

Category 1—Insured by FDIC or collateralized with securities held by the Commission (or public trust) or by its agent in its name

Category 2—Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Commission's name

Category 3—Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Commission's name; or collateralized with no written or approved collateral agreement

Type of Deposits	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$ 345,442.03	\$ 345,442.03	\$ ----	\$ ----	\$ 339,061.03
Total Deposits	\$ 345,442.03	\$ 345,442.03	\$ ----	\$ ----	\$ 339,061.03

DEARBORN HEIGHTS HOUSING COMMISSION

Plymouth, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3a. Cash and Investments (Continued)

Investments

The Commission's policies and applicable laws regarding investments are discussed in Notes 1d. and 2b. The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Commission (or public trust) based upon whether the investments are insured or registered and upon who holds the security at December 31, 2005. The categories of credit risk are defined as follows:

Category 1—Insured or registered with securities held by the Commission or its agent in the Commission's name

Category 2—Uninsured and unregistered with securities held by counterparty's trust department or agent in the Commission's name

Category 3—Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Commission's name

	Custody Credit Risk			Carrying Amount	Fair Value
	Category 1	Category 2	Category 3		
Certificate of Deposit	\$ 26,499.08	\$ ----	\$ ----	\$ 26,499.08	\$ 26,499.08
	<u>\$ 26,499.08</u>	<u>\$ ----</u>	<u>\$ ----</u>	<u>\$ 26,499.08</u>	<u>\$ 26,499.08</u>

3b. Restricted Assets

The restricted assets as of December 31, 2005, are as follows:

Type of Restricted Assets	Cash Including Time Deposits	Investments	Accrued Interest	Total
FSS escrow	\$ 59,128.17	\$ ----	\$ ----	\$ 59,128.17
	<u>\$ 59,128.17</u>	<u>\$ ----</u>	<u>\$ ----</u>	<u>\$ 59,128.17</u>

DEARBORN HEIGHTS HOUSING COMMISSION

Plymouth, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3c. Accounts Receivable

Accounts receivables as of December 31, 2005 consist of accounts receivable - HUD in the amount of \$8,780.00.

3d. Accounts Payable

Accounts payable as of December 31, 2005 consist of accounts payable - vendors in the amount of \$191,499.31.

3e. Non-current Liabilities

As of December 31, 2005, the non-current liabilities are comprised of the following:

Deferred credits and escrow deposits - FSS escrow	\$ <u>57,880.24</u>
Total	\$ <u><u>57,880.24</u></u>

The following is a summary of changes in non-current liabilities for the year ended December 31, 2005:

	<u>Balance December 31, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2005</u>	<u>Amounts Due within One Year</u>
Deferred credits and escrow deposits	\$ <u>57,473.13</u>	\$ <u>407.11</u>	\$ <u>----</u>	\$ <u>57,880.24</u>	\$ <u>----</u>
Total	\$ <u><u>57,473.13</u></u>	\$ <u><u>407.11</u></u>	\$ <u><u>----</u></u>	\$ <u><u>57,880.24</u></u>	\$ <u><u>----</u></u>

3f. Unrestricted net assets - Prior-period Error Corrections

Following is the composite of error corrections:

1. Accounts receivable - HUD - correct to HUD form 52681	\$ <u>3,593.00</u>
Totals	\$ <u><u>3,593.00</u></u>

DEARBORN HEIGHTS HOUSING COMMISSION

Plymouth, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 4 - Other Notes

4a. Employee Retirement Plan

The Commission does not provide a pension plan for its employees.

4b. Risk Management

Managed by Plymouth Housing Commission, all insurance is monitored and held by Plymouth Housing Commission.

4c. Contingencies

The Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

DEARBORN HEIGHTS HOUSING COMMISSION

Plymouth, Michigan

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
NOTES TO THE SCHEDULE OF FEDERAL AWARDS**

Year Ended December 31, 2005

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Fiscal Year</u>	<u>Federal Grantor</u>	<u>Federal CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	Low Income Public Housing		
	<u>Major - Direct Program</u>		
2005	Housing Choice Vouchers	14.871	\$ <u>2,597,622.14</u>
	Total		\$ <u>2,597,622.14</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1 - Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

DEARBORN HEIGHTS HOUSING COMMISSION

Plymouth, Michigan

FINANCIAL DATA SCHEDULE

Year Ended December 31, 2005

FDS Line Item No.		Housing Choice Vouchers <u>14.871</u>
	Assets:	
	Current Assets:	
	Cash	
111	Cash-unrestricted	\$ 279,932.86
113	Cash-other restricted	<u>59,128.17</u>
100	Total cash	<u>339,061.03</u>
	Accounts and notes receivable:	
122	Accounts receivable-HUD	<u>8,780.00</u>
120	Total receivables, net of allowance for doubtful accounts	<u>8,780.00</u>
	Current investments:	
131	Investments-unrestricted	<u>26,499.08</u>
150	Total current assets	<u>374,340.11</u>
190	Total Assets	<u>\$ 374,340.11</u>
	Liabilities and Equity:	
	Liabilities:	
	Current Liabilities:	
312	Accounts payable < 90 days	\$ <u>(191,499.31)</u>
310	Total current liabilities	<u>(191,499.31)</u>
	Noncurrent Liabilities:	
353	Noncurrent liabilities-other	<u>(57,880.24)</u>
350	Total noncurrent liabilities	<u>(57,880.24)</u>
300	Total liabilities	<u>(249,379.55)</u>
	Equity:	
512.1	Unrestricted Net Assets	<u>(124,960.56)</u>
600	Total Liabilities and Equity	<u>\$ (374,340.11)</u>

DEARBORN HEIGHTS HOUSING COMMISSION

Plymouth, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2005

FDS Line Item No.		Housing Choice Vouchers <u>14,871</u>
	Revenue:	
706	HUD PHA operating grants	\$ (2,612,861.00)
711	Investment income-unrestricted	(1,294.58)
714	Fraud recovery	<u>(5,076.86)</u>
700	Total revenue	<u>(2,619,232.44)</u>
	Expenses:	
	Administrative	
912	Auditing fees	660.00
913	Outside management fees	185,963.52
916	Other operating-administrative	<u>3,525.00</u>
969	Total operating expenses	<u>190,148.52</u>
970	Excess (deficit) operating revenue over operating expenses	<u>2,429,083.92</u>
973	Housing assistance payments	<u>2,407,473.62</u>
	Total expenses other than total operating	<u>2,407,473.62</u>
	Excess (deficit) of revenue over expenses before	
1000	operating transfers in (out) and depreciation add back	<u>21,610.30</u>
	Excess (deficit) of revenue over expenses after	
	operating transfers in (out) and depreciation add back	\$ <u><u>21,610.30</u></u>

Sailor

Khan & Co.

Certified Public Accountants

**Report on Compliance and on Internal Control Over Financial Reporting Based
on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Board of Commissioners
Dearborn Heights Housing Commission
Plymouth, Michigan

We have audited the financial statements of the Dearborn Heights Housing Commission, Michigan, (Commission) as of and for the year ended December 31, 2005, and have issued our report thereon dated April 12, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

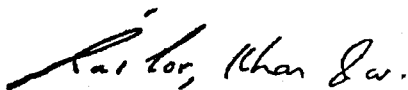
Compliance

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Dearborn Heights Housing Commission, Michigan's management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Sailor, Khan & Co.
April 12, 2006

Sailor

Certified Public Accountants

Khan & Co.

**Report on Compliance with Requirements Applicable to Each Major Program and
Internal Control over Compliance in Accordance with OMB Circular A-133**

Board of Commissioners
Dearborn Heights Housing Commission
Plymouth, Michigan

Compliance

We have audited the compliance of the Dearborn Heights Housing Commission, Michigan, (Commission) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Commission compliance with those requirements.

In our opinion, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005. The results of our auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

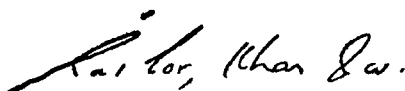
The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Sailor

Khan & Co.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Dearborn Heights Housing Commission, Michigan's management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Sailor, Khan & Co.

April 12, 2006

DEARBORN HEIGHTS HOUSING COMMISSION

Plymouth, Michigan

STATUS OF PRIOR AUDIT FINDINGS

December 31, 2005

The prior audit report for the year ended December 31, 2004 contained no audit findings.

DEARBORN HEIGHTS HOUSING COMMISSION

Plymouth, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2005

SECTION I - SUMMARY OF AUDITOR RESULTS

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
▶ Material weakness(es) identified?	No
▶ Reportable condition(s) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No
Is a "going concern" explanatory paragraph included in audit report?	No

Federal Awards:

Internal control over major programs:	
▶ Material weakness(es) identified?	No
▶ Reportable condition(s) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) on Circular A-133?	No
Identification of major programs:	

CFDA

Number(s)	Name of Federal Program
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14-871	Section 8 Housing Choice Vouchers
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Dollar threshold used to distinguish between type A and type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	Yes
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DEARBORN HEIGHTS HOUSING COMMISSION

Plymouth, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

December 31, 2005

SECTION II - FINANCIAL STATEMENT FINDINGS

The current audit report for the year ended December 31, 2005 disclosed no Financial Statement audit findings.

SECTION III - FEDERAL AWARD FINDINGS

The current audit report for the year ended December 31, 2005 disclosed no Federal Awards audit findings.

QUESTIONED COSTS

None